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ABSTRACT

While East European party systems have received considerable attention, little research has been conducted on the influence of campaign finance laws on party system development. It is surprising that this issue receives such little attention given the widespread use of these laws in East Europe and that the requirements and especially the enforcement mechanisms of these laws have an influence on corruption. This article examines the logic behind public campaign financing and its implementation in Romania. The first section of the article explores the rationale behind party campaign finance, notes some of the criticisms of state campaign subsidies and addresses how party campaign finance generally influences the party system. The second section examines the Romanian campaign finance system and addresses how party campaign finance has influenced the development of parties, the party system and corruption.

KEY WORDS ▪ corruption and Romania ▪ party campaign finance ▪ party development ▪ party subsidies

The issue of party development in East Europe has received considerable attention over the past decade. Much of the literature attempts to explain party development by reference either to the transition process (Ishiyama, 1995; Olson, 1998) or to the influence of institutional factors such as the electoral system (Herron and Nishikawa, 1999; Moser, 1999). However, the relationship between campaign finance laws and party system development has received far less attention. Most of the recent research that has been conducted on the relationship between campaign finance and party development tends to explore these linkages in Western countries (Katz and Mair,

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1995; Mendilow, 1992; Van Biezen, 2000). Few works have focused on the influence of East European campaign finance laws on party system development (Kopecky, 1995). This is surprising, given that previous research has found that campaign finance does have an effect on the parties and the party system (Katz and Mair, 1995). Moreover, it is surprising that this issue receives such little attention given the widespread use of these laws in East Europe and that the requirements, and especially the enforcement mechanisms, of these laws are perceived to have an influence on electoral corruption.

Every East European regime has faced charges of electoral corruption. Citing rampant corruption, Romanian President Emil Constantinescu announced in July 2000 that he would not stand for re-election. While some of the corruption was linked to the collapse of several banks, the political scandal over the campaign financing of businessman Adrian Costea had implicated several leading politicians. For many observers, Constantinescu's decision only confirmed that there was a high level of corruption in Romania, specifically, and East Europe, in general. Indeed, some view corruption as a societal condition that separates West from East Europe.[1] However, the recent scandals involving the Christian Democratic Union in Germany and the Rally for the Republic in France illustrate that issues involving campaign party financing and corruption are not limited to post-communist countries. Unfortunately, the creation of state subsidies for party campaigns does not necessarily eliminate the pervasive effect of money on elections. Indeed, some authors argue that restrictive public finance laws can actually increase the level of corruption (Rose-Ackerman, 1978; Sajo, 1998). Especially for post-communist scholars, the issue of campaign corruption cannot be ignored. As Anderson and Tverdova (2000: 9) argue, 'corruption thwarts the application of democratic principles and norms of equality, fairness, and accountability'.[2] In post-communist countries where public opinion is much less enthusiastic about democracy, corruption can have an erosive effect on popular support for the political system.[3] This article examines the logic behind public campaign financing and its implementation in Romania. The first section explores the rationale behind party campaign finance, notes some of the criticisms of state campaign subsidies and addresses how party campaign finance generally influences the party system. The second section examines the Romanian campaign finance system and addresses how party campaign finance has influenced the development of parties, the party system and electoral corruption.

Logic and Critique of State Campaign Subsidies

Influence of Party Campaign Finance on Party System Development

The subsidizing of election campaigns is a relatively recent phenomenon. The first country to use party campaign finance was Costa Rica in 1954. At first, only a handful of countries adopted party campaign finance laws; over the past twenty years, however, there has been an enormous increase in the number of countries that use some form of party campaign finance. As Paltiel (1980) points out, the exact form of party campaign finance varies greatly among countries. In Israel, parties that receive party campaign finance are not allowed to accept corporate donations (Mendilow, 1992), while in Italy donations are permissible as long as the gift is registered with the Chamber of Deputies (Colazingari and Rose-Ackerman, 1998). In addition, the form of party campaign finance varies. *Direct* party campaign finance normally consists of providing cash funds to parties, while *indirect* party campaign finance comprises free media time or a tax holiday on the importation of campaign materials. While party campaign finance varies from country to country, the general logic behind state subsidies is fairly uniform.

There are a number of reasons that have been advanced in favor of party campaign finance. First, party campaign finance was advocated to create a more level playing field among parties. The expansion of the franchise and the growing importance of the mass media over the last 50 years have placed significant burdens on parties. Andren (1970) argues that, as a result of these forces, party systems had developed gross inequalities. Those parties that had financial means were at an enormous advantage in mobilizing the electorate. Therefore, party campaign finance was envisaged as a means for creating more open and fair party competition. Second, party campaign finance was advocated in order to reduce the amount of money in campaigns. It was hoped that the state would enforce finance norms that would limit party spending and the general costs of a campaign. This is one of the reasons why many countries in their party campaign finance regulations incorporate free television time. Third, and most importantly, party campaign finance was viewed as a remedy to corrupt campaign practices. Party campaign finance was to encourage more transparency in the reporting of contributions and reduce the influence of wealthy individuals and corporations.

Although the use of party campaign finance laws has grown considerably in the past few years, these laws are not without their critics. In a series of writings, Paltiel notes a number of defects with party campaign finance. First, he argues that politicians design party campaign finance laws with sufficient loopholes so that there is always the ability to evade the intent of the laws. Rose-Ackerman (1978) argues that public influence for private gain is logical for self-interested politicians. Therefore politicians create a legislative framework that provides sufficient ability either to bend or to go around the rules. These loopholes not only thwart the spirit of the law, but also reduce the role of public scrutiny. Sajo (1998: 45) argues that: 'where such [public] financing is without transparency and without preconditions . . . it is sheltered by the legislative process and is immunized against any public criticism'. A related argument is that the party campaign finance law becomes a shield for parties in which they extract larger and larger sums of money from the state. Mendilow (1992) reports that in the case of Italy in the mid-1970s public funding nearly doubled, and in Israel the major parties after 1988 passed an amendment to the party campaign finance legislation to allow the expenditure ceiling to be increased retroactively.[4] Schleth and Pinto-Duschinsky (1970) report that the large increase in campaign expenditures between 1961 and 1969 in West Germany could be attributed to the creation of public subsidies. Heywood (1997: 431) concludes that party campaign finance 'was seen as a potential solution to the problem of escalating expenditure, [but it] appears to have little impact on the drive to seek extra funds'.

A second and related criticism is that party campaign finance regulations discriminate against new parties in favor of parties that hold parliamentary seats. Not surprisingly, MPs design party campaign finance laws that benefit parliamentary parties over extra-parliamentary or out-of-government parties. Indeed, Katz and Mair's (1995) concept of the cartel party and cartel party system is based on the collusion of parliamentary parties to provide state subsidies in order to prevent the establishment of new parties. As an example, Mendilow (1992) discusses how the Austrian government significantly curtailed the equal party subsidy once the ruling party no longer needed additional coalition members.

Part of the problem in designing party campaign finance laws is that they typically award a subsidy based on parliamentary representation. Most often there is a relatively high threshold level that is established in order to deny new and small parties a subsidy.[5] Therefore, parliamentary parties use the threshold to protect their 'market share' of the electorate (Katz and Mair, 1995). Koole argues, however, that campaign finance in Germany and Italy has actually protected smaller parties and has not led to 'petrification of the party system' (1996: 517). Indeed, the threshold can also be established so low as to encourage the proliferation of new parties and the fragmentation of existing parties. While this approach fragments the party system, it can often be an electoral and ultimately parliamentary advantage for larger parties.[6]

Finally, many have argued that party campaign finance laws tend to concentrate power within the national party headquarters at the expense of local party branches. Because most party campaign finance laws award subsidies to the national party, there is a tendency to concentrate campaign activities in the capital.[7] The tendency of party centralization is less severe in federal systems, but is still considered a consequence of party campaign finance. For example, Mendilow (1992) argues that all party national headquarters in Israel were strengthened following the first campaign held under party campaign finance. This de-emphasis on the local party organization is also one of the defining features of a cartel party. Katz and Mair argue that in a cartel party the 'atomistic conception of party membership is further facilitated by allowing people to affiliate directly with the central party, obviating the need for local organizations' (1995: 21).

One of the important issues associated with party campaign finance is how this practice affects the party system. Mendilow (1992) argues that some of the early discussions over party campaign finance legislation in the 1950s and 1960s failed to consider how campaign subsidies would affect the development of parties and the party system. Paltiel (1979) argues that party campaign finance laws changed the character of parties from mass to electioneering (catch-all) parties. According to Kirchheimer's (1966) notion of the catch-all party, individual party membership was de-emphasized as the party attempted to appeal to a larger segment of the electorate and maximize its share of the vote. Before party campaign finance, parties relied on individual members to provide financing. This in turn forced parties to develop strong links with local constituencies. However, with the advent of party campaign finance, parties no longer had to rely on individual financial support in order to be competitive.[8] This change in part explains why several Western parties have become more catch-all over the past few decades. Katz and Mair extend this analysis to a fourth-generation party model. The cartel party represents an 'interpenetration of state and party' which forces party leaders to 'focus their attention on the state' (1996: 527). As parties focus more on the state, they seek to extract greater levels of state support (i.e. campaign finance). Indeed, Katz and Mair argue that cartel parties 'rely increasingly for their resources on the subventions and other benefits and privileges afforded by the state' (1995: 20).

Moreover, the development of party campaign finance could be used as an example to support Huntington's (1968) functional claim that corruption can actually serve to institutionalize the party system. He argues that certain forms of corruption (e.g. illegal donations) can strengthen a parliamentary party and in turn this institutionalized party can develop rules to insulate the political system from other further sources of corruption. While he does not address the specific example of party campaign finance laws, one could argue that parliamentary and government parties create these laws in order to protect the integrity of the political process from weaker parties that would use illegal means to become competitive.[9]

Influence of Romanian Party Campaign Finance Laws on Party System Development

While the issue of party development has figured prominently in the research on post-communist countries, there have been few studies examining the interaction of party campaign finance laws, party development and corruption on post-communist parties. Most of the studies cited earlier involved Western countries such as Germany, Italy or Israel. This is surprising, given that most post-communist countries have adopted some form of party campaign finance legislation which presumably has an influence on the party system. This is also surprising because these laws were often created in order to reduce corruption. Because corruption can undermine public support for democracy, its association with campaign financing is a particular problem in those countries that are already perceived to have high levels of economic corruption (e.g. corrupt privatization methods). As a consequence, countries such as Bulgaria and Romania that have high levels of economic corruption are most susceptible to campaign corruption (more specifically unfair campaign finance practices). Moreover, Sajo (1998) argues that in East European countries the state controls so much of the economy that there is a compelling reason to subvert campaign laws. As Rose et al. (1998) report, Romania is one of the most corrupt East European countries. Of the seven East European countries that they survey, Romania's level of corruption places the country at the bottom.[10] Therefore, an examination of Romania's party campaign finance laws, party development and corruption is extremely important in order to understand the general pessimism that the public displays towards politics and politicians.

Like other East European countries such as Bulgaria, the Czech Republic, Hungary and Poland, Romania provides state party subsidies (Kopecky, 1995). However, what makes the Romanian case interesting is that direct state subsidies have been provided for some national elections (1990, 1996 and 2000) and not for other elections (1992). Party campaign finance laws have become part of the larger debate over party registration and electoral fairness. While the state did not provide a direct subsidy in 1992, it did provide direct campaign financing in the founding election of 1990. Article 53 of the 1990 election law provided all parties that participated in the election with a state subsidy that was to be determined at a later date (*Monitorul Oficial al României*, 1990). In addition, the law stipulated that donations from foreign sources would not be permitted. Article 51 provided parties free access to radio and television media during the campaign (indirect party campaign finance). What was the motivation behind Romania adopting party campaign finance? Earlier, I discussed several traditional reasons that are given for the creation of state subsidies. While the reasons vary, the general argument is that party campaign finance provides a more even playing field among parties and can thwart potential corruption through reporting requirements and strict regulation of contributions.

Unfortunately, these were not the reasons behind Romania's adoption of party campaign finance. In 1990, the ruling National Salvation Front (FSN) controlled the financial resources of the former Romanian Communist Party. Therefore the FSN had substantial funding for the 1990 campaign, while the state subsidy provided under the law amounted to approximately

40,000 lei (roughly $500).[11] The subsidy that was provided therefore did not create a more level playing ground. Indeed, Rady (1992) reports that opposition parties were at a significant disadvantage. He notes that 'opposition campaign literature almost entirely consisted of hand-typed and poorly produced xeroxes' (p. 168).

The prohibition of foreign donations was not created in order to minimize corruption, but rather to prevent Ion Ratiu (the opposition presidential candidate of the National Peasants' Party Christian Democratic or PNTCD) from using the fortune he had amassed in Great Britain during the campaign.[12] In addition, the electronic media did not provide equal access to parties. In the early 1990s, there was only one national television station, which was state controlled, and a handful of state and independent radio stations. While the FSN was prominently featured in every broadcast, the opposition 'suffered from limited access to programming, unpredictable placement and uneven access to recording studios and equipment' (Carothers, 1992: 83). This phenomenon is not unusual. Katz and Mair argue that 'although new parties may get access to the state media if they nominate a sufficiently large number of candidates, that access is sometimes minimal, or is available only at the least attractive times' (1996: 529–30).

If the state subsidy was not given to provide greater opportunity for parties, why then did the FSN promote party campaign finance? The state subsidy was provided in order to encourage the proliferation of parties. The party registration law only required a party to have 251 members (*Monitorul Oficial al României*, 1989). The low membership requirement coupled with state financing significantly increased the number of registered parties. More than 70 parties contested the election for the lower house, and, of these, about 40 were said to be sympathetic to the FSN (Tismaneanu, 1993). These parties can be seen as a form of electoral clientelism and were created in order to overwhelm the public with choices. A Romanian electorate that was used to one choice now faced the daunting task of deciding between some 70 parties. In the confusion, the FSN emerged as the one stable and broad-based party that could effectively run government. It is not surprising, therefore, that the FSN won over 68 percent of the lower house seats and that FSN presidential candidate Ion Iliescu won over 85 percent of the vote. While the FSN held an absolute majority of parliamentary seats, 17 other parties were represented.[13] The large number of parties represented in the parliament was a direct consequence of the party registration and state subsidy laws. Therefore initially, party campaign finance laws did not institutionalize the party system, but actually contributed to its fragmentation. Nor were party campaign finance laws successful in stemming the tide of campaign corruption in 1990. Part of the problem was that the party campaign finance laws were vague and did not have any contribution reporting requirements.

There is a symbiotic relationship between the party system and party campaign finance laws. As we have seen, party campaign finance laws can provide crucial financial support to parties and therefore affect the general number of parliamentary parties. On the other hand, party campaign finance laws reflect the specific agenda of the ruling parliamentary party or parties (sometimes at the expense of the opposition or extra-parliamentary parties). This second scenario is what occurred during the 1992 local and national elections. The first Romanian local elections were held in March 1992. In late 1991, a draft law supported by the opposition and debated in the parliament would have provided a lump sum of 200 million lei to be divided among all the competing parties.[14] A state subsidy was not only important to the opposition, including the PNTCD and the newly formed Democratic Convention of Romania (CDR), but also to certain members of the FSN. Prime Minister Petre Roman had been forced to resign by President Iliescu in September 1991, and the pro-Roman wing of the FSN feared that without a state subsidy the pro-Iliescu bloc of the party would control all the party's finances (Shafir, 1992).[15]

Ultimately, the pro-Iliescu MPs were successful in blocking the passage of the law, which affected not only the pro-Roman wing of the FSN but all opposition parties. While there was no direct state subsidy, the electoral law did provide free radio and television coverage to parties. A decision taken by the ad hoc parliamentary commission which oversaw the media's coverage of the campaign established a total of 105 minutes per day available to parties. Sixty minutes were awarded to parliamentary parties, 40 minutes to extra-parliamentary parties and 5 minutes for independent candidates (Shafir, 1992). Even though there was no system of direct state subsidies, the opposition did extremely well, winning the mayoral contests in cities such as Bucureşti, Iaşi, Timişoara, Braşov and throughout the Transylvanian region. The lack of a state subsidy did not undermine the competitiveness of the opposition. However, these were local elections in which candidates had a much greater opportunity to interact with their constituency and, as a consequence, media exposure and even financing were not as critical. The real test for the opposition was to come in the national elections.

In an attempt to consolidate the party system, there were a number of changes enacted for the 1992 national elections. The 1992 election law imposed a 3 percent parliamentary threshold, and the party campaign finance law was changed.[16] Article 45 of the election law stated that parties 'may, by special law, receive funds from the state budget' (*Monitorul Oficial al României*, 1992). Those parties that received the subsidy but failed to garner 5 percent of the total vote had to return the subsidy no later than two months after the election. In essence, a subsidy would only be granted to successful parties. A cursory examination of party campaign finance laws in other countries shows that there is usually a bias in favor of existing parliamentary parties, and therefore the Romanian regulation fits into this general pattern. However, while the law allowed for the possibility of a direct state subsidy, no party actually received such a subsidy for the 1992 national elections. Parliament never passed the special law (an enabling law) that was required to provide the financing. Therefore the 1992 national elections took place without any direct state subsidy.

The new election law also forbade accepting funds from foreigners, public institutions or public authorities. The prohibition against foreign contributions included all state and private organizations (Constantinescu et al., 1992).[17] Article 46 provided free media time for parliamentary parties. Extra-parliamentary parties and independent candidates had media access on the basis of state-negotiated contracts in which the parties and independent candidates had reduced charges (*Monitorul Oficial al României*, 1992). In addition, the law stated that parliamentary parties had to be allotted at least twice as much broadcasting time as extra-parliamentary parties and in proportion to their number of parliamentary seats.[18] Unlike the 1990 law, there was a requirement that all contributions to the Ministry of Economics and Finance had to be reported, although a ceiling was never imposed for contributions from either individuals or corporations.[19] As Paltiel (1979) notes, these loopholes provide parties significant room to maneuver.

The new threshold requirement, coupled with the lack of party campaign finance, had a significant impact on the number of parliamentary parties. The number of parties represented in the lower house (Chamber of Deputies) was less than half the total from 1990 (seven parties).[20] Although the changes to the electoral law and party campaign finance regulations achieved a reduction in the number of parties represented in the lower house, many opposition politicians claimed that this reduction was at the cost of a fair election. For example, many complained that the free access to the media, guaranteed for all parties, was heavily titled towards Iliescu's newly formed party, the Democratic National Salvation Front (FDSN). The opposition claimed that Iliescu used his authority over Romanian state television to influence the reporting of the election. Just before the elections, Iliescu had established a National Audiovisual Council responsible for overseeing the media's campaign coverage. Membership of the Council was drawn largely from the FDSN. Though guaranteed a specified number of minutes, the opposition broadcasts ran late in the evening, guaranteeing that fewer voters saw them. This situation reflects the criticism that Sandholtz and Koetzle (2000) make regarding a legal definition of corruption. They argue that a legally based definition of corruption may exclude actions that are technically legal but are certainly improper. So while the Romanian media's actions were legal, they were unfair and contrary to the spirit of party campaign finance.

After the 1992 national elections, there was no significant legislation on parties or campaign financing until 1996. During spring 1996, the parliament finally addressed the issue of party development and registration. With local elections scheduled for June, the parliament approved a new party registration law, in April 1996, which replaced the previous law adopted in 1989. By 1996, there were over 160 registered parties. Although the number of parties represented in the Chamber of Deputies had significantly decreased between 1990 and 1992,[21] many MPs felt that the low threshold for party registration encouraged a proliferation of parties, which made elections difficult and thwarted attempts at consolidating the party system. While the law had a number of features designed to reduce the number of parties, the principal provision increased the number of required members from 251 to 10,000 (*Monitorul Oficial al României*, 1996b). A number of opposition parliamentary and extra-parliamentary parties voiced concern over the dramatic increase in membership requirement.[22] The Romanian Supreme Court ruled, however, that no specific number was any ‘more rational and moderate’ than another (*Monitorul Oficial al României*, 1996c) and allowed the law to stand. In order to maintain their registration, parties also had to run candidates in two consecutive elections, in at least 10 electoral districts and had to hold a national meeting every 5 years.

The new law on parties not only dealt with registration requirements but also the issue of campaign finance. The sixth chapter of the law on parties established a much more specific and elaborate campaign finance law than in 1990 or 1992. Under the new and still current law, parties are entitled to funding from member subscriptions (fees), donations (contributions), revenues from proper activities and state budget subsidies (*Monitorul Oficial al României*, 1996b). Contributions received by a party cannot be in excess of 0.005 percent of the country’s budget revenues. In an election year, however, the amount is doubled. The sum of dues paid over the period of one year by a single person cannot exceed 50 minimum salaries. A total yearly contribution made by an individual cannot exceed 100 minimum salaries.[23] A total yearly contribution made by a corporation cannot exceed 500 minimum salaries. Unlike previous legislation, the 1996 law was much more specific about reporting requirements: the contribution does not have to be reported as long as it is less than 10 minimum salaries. In addition, a party does not have to report contributions as long as the total amount of contributions (from all sources) does not exceed 20 percent of the state subsidy in a year. However, the list of contributors who donate amounts greater than 10 minimum salaries must be reported and published in the *Monitorul Oficial* by 31 March of the following year.

Similar to the 1992 law, parties cannot receive contributions from public institutions, state enterprises, foreign states and organizations. However, the law does provide international political organizations to which the party is affiliated with the right to make contributions. Unlike the 1992 law, the current law does provide parliamentary and extra-parliamentary parties party campaign finance. The amount that is allocated to all parties cannot exceed 0.04 percent of state revenue. Article 39 states that at the beginning of the yearly legislative session parties represented by a parliamentary faction in at least one of the chambers receive a base subsidy.[24] The total of the base subsidies is one-third of the total state subsidy allocated to all parties. It is significant that the law provides a base subsidy not to parliamentary *parties* but rather to parliamentary *factions*. Because the lower-house standing orders require at least 10 deputies in order to form a faction, not all parliamentary parties receive the base subsidy (Roper and Crowther, 1998). This creates an incentive for the creation of party faction coalitions and also punishes those parties that lose members, because, according to the standing orders, MPs may not leave and join a new faction.

Parliamentary parties also receive a subsidy in proportion to their number of seats. The amount awarded per seat is established by dividing the remaining two-thirds of the total state subsidy by the total number of MPs (for the Chamber of Deputies and the Senate). This amount, however, cannot exceed five times the base subsidy.[25] In addition, extra-parliamentary parties that obtained at least 2 percent of the vote (presumably in the national election) receive equal subsidies established by dividing the remaining amount after the per seat allocation by the number of eligible parties. The total amount allocated to extra-parliamentary parties cannot exceed one base subsidy. In addition, the law does not guarantee that there will be a remaining amount to divide among the parties. In theory, however, the 1996 law provides more financial assistance to extra-parliamentary parties than under previous laws, but because the allocation is based on the party's share of the vote in the last election, the extra-parliamentary subsidy freezes the party system for four years.[26] In other words, parties receive four years of subsidies even if by the third year the party no longer has significant electoral support. Interestingly, the law does not have a chapter regulating the indirect subsidy of free media.

A government decision in September 1996 described the methodology used to determine the state subsidy for that year. Based on the April law, 15 parties were awarded some form of state subsidy (*Monitorul Oficial al României*, 1996a). Not surprisingly, the two largest parties, the party of Social Democracy in Romania (PDSR) and the PNTCD, received the largest subsidies. In addition, two extra-parliamentary parties were awarded a state subsidy based on their share of the 1992 parliamentary vote. Given that the threshold for the 2000 parliamentary election was raised from 3 percent to 5 percent, this should increase the number of extra-parliamentary parties eligible for a state subsidy.

As discussed earlier, party campaign finance laws in other countries have had a tendency to decrease the reliance of the party on individual members. Mendilow (1992) reports that prior to the passage of party campaign finance in Israel in 1969, membership dues accounted for 50 percent of party revenues. In just four years after the passage of party campaign finance, member dues accounted for less than 10 percent of party revenues. This is a dramatic shift and provides further evidence of how party campaign finance laws influence party development. In the case of Romania, party member dues have traditionally never been collected. Because of the low standard of living and lack of participatory culture, membership dues have never been an important source of party revenue.[27] Instead, today, the state subsidy is the overwhelming *legal* financial support that parties receive.

Reconsidering Campaign Finance Laws and Corruption

Party campaign finance laws cannot be blamed for incidents of campaign corruption. Scandals in France, Germany, Italy and other countries demonstrate that no system of party campaign finance is perfect. However, the lack of substantial reporting requirements and transparency in Romanian party campaign finance laws have made the possibility of campaign corruption much more likely. Indeed, while party campaign finance laws can be created in order to limit the influence of money in campaigns and provide financially disadvantaged parties with opportunities, it is clear that the Romanian party campaign finance laws were created for other reasons. These laws, therefore, have not really reduced corruption or provided a more level playing field. In fact, by raising the parliamentary threshold requirements in 1992 and again in 2000, Romania has placed party system consolidation as its primary goal. Party campaign finance is seen as tangential to this overriding concern. Indeed, Romanian politicians and parties have devised campaign finance laws in order to promote partisan or intra-party factional advantage. While technically not illegal, the promotion of narrow party interests undermines the public interest, which can be regarded as a form of corruption.

The problem when designing party campaign finance laws is how to balance the need for campaign spending with transparency. It is too simplistic to argue that tighter regulations are the key to eliminating corruption. On the other hand, it is equally incorrect to blame episodes of corruption on attempts at creating state financing. For example, Sajo (1998: 44) argues that '[e]lections and party financing are increasingly subject to restrictive rules, and the demand for more campaign spending is growing. Hence a turn to illegality becomes almost inevitable'. If Sajo is correct, perhaps the answer is not to create less restrictive rules, but rather to decrease the need and demand for campaign spending.

One of the keys to decreasing the costs of campaigns involves the use of the media. The typical party spends much of its campaign budget buying media time. While Romania does provide free access to the media, there have been serious charges that the government manipulates the media. Until the mid-1990s, there was only one national television station in the country (which was state-controlled). Analysis of its broadcast patterns revealed a substantial bias in favor of the government. For example, during the 1996 national elections, one survey found that the ruling PDSR received over 100 hours of coverage by the national television station as compared to the next party, the CDR, with only 37 hours (*22*, 1996). Colazingari and Rose-Ackerman (1998) argue that, to support party campaign finance laws, there need to be 'private-sector' checks (i.e. enhance the role of the media) as well as greater prosecutorial and judicial independence. Whether called paternalism or clientelism, the challenge in Romania and in East Europe is to change the relationship of the state and politicians with the public. Party campaign finance laws are a step in the right direction, but they are just a step and need to be supported with more systematic and institutionalized change involving the state (e.g. the judiciary) and the media.

Conclusions

The relationship between campaign finance laws, party development and corruption is complex. On the one hand, these laws are often designed by parties to exclude the entrance of new parties. However, as Katz and Mair (1995) argue, the attempt to use campaign finance laws to suppress new parties can actually backfire and provide these new parties with a rallying cry against the political establishment. Moreover, the discussion on the impact of campaign finance on party system development must be broadened to include such issues as party membership requirements, parliamentary faction membership requirements and the electoral threshold. The Romanian case demonstrates that campaign finance laws, coupled with a change in the party membership requirements, can have a profound influence on the party system.

Issues of campaign finance and media access go to the heart of corruption, which is an important social force that becomes even more important as it interacts with other societal and individual behaviors. In developing countries, there has been a discussion of the relationship between corruption and clientelism, which can be defined as a relationship between persons of a higher social status (patrons) and those of a lower status (clients). As Hutchcroft (1997) points out, this relationship or linkage between patron and client does not necessarily have to involve corrupt practices, but as Waterbury (1973: 537) argues 'when a patron occupies a public position or extracts favors from those in public positions, patronage and corruption overlap'. Sajo (1998) notes that clientelism is a social organization while corruption is an individual behavior that *can* become a mass phenomenon. In the context of East Europe, he argues that these two forces are 'fused at the hip' and that 'clientelism – in interaction with various forms and levels of corruption – is becoming a stable form of social organization' (p. 38). Ultimately, the communist patron–client relationship has become transformed into post-communist clientelist corruption. While the role and influence of cartel parties and campaign finance on corruption needs more empirical work, it is clear that the creation and modification of campaign finance laws can have a profound influence on parties and the party system which ultimately has an influence on corruption.

Notes

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Nagy for her research assistance and David Farrell and two anonymous reviewers for their helpful comments. An earlier version of this research was presented at the Corruption and Party Finance Conference in Riga, Latvia, in November 2000.

1 Sajo notes that Western analysts unfairly portray East Europe as corrupt. He argues, however, that East European corruption is 'decidedly misunderstood and is, to some extent, enveloped in myths' (1998: 37).
2 Going back to the modernization literature of the 1960s, some political scientists have actually emphasized the positive, functional contribution that corruption makes to a society. Huntington (1968) argues that corruption can actually institutionalize the party system; more recently, Goldsmith (1999) argues that corruption may provide an economic efficiency, particularly to developing countries. He argues that developing states normally create monopolies, and public corruption can actually assist in overcoming the monopolistic behavior of the state.
3 Heywood (1997) argues that while corruption is problematic in any political system, it is a particular problem in a democracy because corruption can do more damage to that system by undermining its basic principles.
4 Mendilow (1992) notes that The Netherlands is one of the few countries in which the party campaign finance subsidy has actually decreased over the past 20 years.
5 For example, in Italy a party must field candidates in at least two-thirds of the districts and receive 300,000 votes or 2 percent of the national vote. See Colazingari and Rose-Ackerman (1998) for further details on the Italian system.
6 I thank one of the anonymous reviewers for making this point.
7 Pattie and Johnston (1996) report that in Great Britain local Conservative constituencies have actually been distancing themselves from the national party. Conservative party branches are supposed to provide a 'voluntary quota' (of money) each year to the national party. Their data show a decline in the constituency quota contribution.
8 Although many party campaign finance laws allow for individual member contributions, the percentage of member contributions has significantly declined. Data from Katz and Mair (1992) indicate that by 1989 the West German state subsidy contributed approximately 73 percent of the total income of the CDU/CSU and the SDP.
9 Huntington (1968) recognizes that corruption builds parties in certain circumstances and in other cases has no influence on the development of the party system.
10 Rose et al. (1998) note that while Romania is the most corrupt East European country, former Soviet republics are far more corrupt (see their table on page 221).
11 Carothers (1992) argues that few, if any, opposition parties actually received the state subsidy.
12 This prohibition was supposedly amended to allow for foreign contributions if they were documented. Carothers (1992) reports that opposition parties had to wait an inordinate amount of time for their currency transfers to be approved.
13 This number does not include ethnic minority parties which were guaranteed a seat in the lower house. Of the ethnic-based parties, only the Hungarian Democratic Union of Romania and the German Democratic Forum received enough votes to win a seat outright.
14 The bill stipulated, however, that 85 percent of the total state subsidy was reserved for parties that had representation in the parliament.
15 In September, Jiu Valley miners descended on Bucharest to protest against the

government. In order to avert a crisis, Roman handed in his mandate (offered to re-shuffle the cabinet). He did not intend on resigning, but rather on changing the government. Iliescu, however, took this opportunity to announce that he had accepted the cabinet's resignation.

16 Significantly, however, there was no change in the party registration requirement of 251 members.

17 However, governments such as the United States were active during the 1992 national elections. As Carothers (1996) points out, the United States through organizations such as the International Republican Institute, the National Democratic Institute for International Affairs and the United States Information Agency was active in supporting opposition parties.

18 The law made a distinction between pre and post-nomination broadcast time. After the nominating period, a new allotment of time was issued based on the proportional number of candidate lists throughout the country. If parties did not have lists in at least 10 constituencies (there are 41 constituencies and the city of Bucuresti) they forfeited their right to broadcast time (*Monitorul Oficial al României*, 1992).

19 Each party had to designate a specific fiscal agent that registered with the Ministry of Economics and Finance.

20 Interestingly, the number of parties represented in the upper house, Senate, actually increased from seven to eight.

21 Though only 7 parties won seats, 65 parties participated in the election for the Chamber of Deputies in 1992.

22 The Chamber of Deputies version of the bill only required 2500 members. It was the Senate version that stipulated a 10,000-member requirement. The Senate passed this bill overwhelmingly, with only 22 votes against it (primarily from the Hungarian Democratic Union of Romania). In conference or mediating committee, the Senate version was reported out.

23 Based on data from the latest International Monetary Fund report, the average annual wage in Romania in 1997 was $89 (*Romania: Statistical Appendix* 1998). Therefore, an individual at that time could contribute approximately $8900 to a party.

24 In 1996, the base subsidy was $38,548; in 1997 it was $76,584.

25 Birnir (2000) has calculated the amount of state subsidy received by parties in 1996 and 1997. According to her data, the PDSR should have received $548,768 in 1997, but because that amount was over five times the base subsidy, the PDSR receive $382,918, which was exactly five times the base.

26 Unless there are early elections, parliamentary elections occur every four years.

27 Birnir (2000) reports that in her interviews with national party leaders during the 1996 national elections they readily admitted that member dues were not collected and that the transferring of funds between the local branches and national headquarters did not occur.

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